FOCUS ON THE FISC

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FROM THE DESK OF THE FISCAL OFFICER

Your Legislative Fiscal Office is pleased to present the latest edition of Focus on the Fisc. We hope you enjoy it and encourage feedback. This issue provides information on FY 14 actual revenue collections, an update on the current financial experience of the Office of Group Benefits (OGB) and discussion on funding the LSU Health Sciences Center in Shreveport. In addition, we have provided a summary of certain Constitutional Amendments that are on the November ballot.

John D. Carpenter

FOCUS POINTS

FY 14 Actual Revenue Collections Relative to Forecast, and the Budget Balance

Greg Albrecht, Chief Economist, albrechtg@legis.la.gov

State general fund tax collections in FY 14 were some $121 M less than expected. The official forecast in place at the end of the fiscal year, adopted on 01/15/2014, anticipated $8.316 B of revenues available to support state general fund-direct appropriations. Actual general fund revenue collections were $8.195 B or $121 M less than anticipated. Total state tax revenue collections were only $14 M less than expected; $10.314 B anticipated versus $10.300 B collected. The general fund over-forecast is largely the result of dedications of those total tax receipts being $107 M higher than anticipated. Chart 1 and Table 1 below combines nearly forty major state tax receipts forecast by the Revenue Estimating Conference (REC) into ten categories, and displays their dollar amounts and percentage shares of total receipts, along with forecast amounts and forecast discrepancies. Although actual collections were lower than anticipated, this was a very good forecast. Total collections were

Chart 1 Components Of The Forecasted State Tax Revenue Base FY 2013-14 Actual Collections

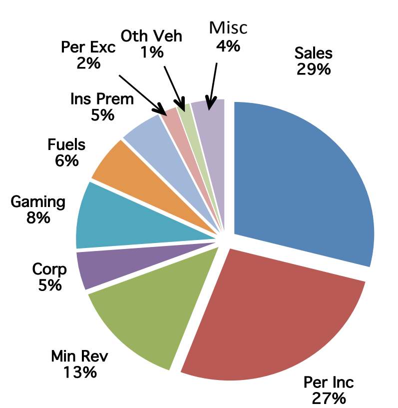


Table 1 *(in billions)*

	FY14 Actual	1/15/14 REC Forecast	% Over / -Under	$ Over / -Under
Sales (w/ MV)	$2.991	$2.976	0.5%	$0.015
Per Income	$2.751	$2.813	-2.2%	-$0.062
Mineral Rev	$1.380	$1.466	-5.9%	-$0.086
Corp/Oth. Busi	$0.479	$0.428	12.0%	$0.051
Gaming	$0.856	$0.863	-0.8%	-$0.007
Motor Fuels	$0.589	$0.590	-0.2%	-$0.001
Ins Premiums	$0.506	$0.493	2.7%	$0.013
Per Excise	$0.200	$0.194	3.5%	$0.007
Other Vehicle	$0.152	$0.131	16.2%	$0.021
Misc	$0.397	$0.363	9.4%	$0.034
Total {$Bils}	$10.300	$10.314	-0.14%	-$0.014
Dedications	-$2.105	-$1.998	5.4%	-$0.107
General Fund	$8.195	$8.316	-1.5%	-$0.121

only $14 M less than forecast; a very small 0.14% forecast error. General fund collections were $121 M less than forecast, also a small error of only 1.5%. However, these small errors are significant for a few reasons. First, they reflect over-forecasts and make negative contributions to the ending balance of the state general fund, on both a budget basis and financial accounting basis. These revenue receipts will be combined with expenditures to establish a general fund operational result for the year (discussed below).

The different results for total tax collections and general fund collections can largely be explained by just a few issues. The largest component ($68 M) is comprised of two unrecognized dedications. Revenue designated by the Department of Revenue associated with tax fraud totaled some $39 M and was dedicated to the Overcollections Fund by Act 420 of 2013 (the Funds bill for FY 14). This dedication was not recognized by the REC as a reduction to the state general fund but was recognized as a gain to the Overcollections Fund. A similar dedication of excess agency self-generated revenue receipts was also made by Act 420. A portion of those monies ($29 M) is routinely included in REC forecasts of the state general fund, and the loss of those monies to the general fund was not recognized by the REC while the gain to the Overcollections Fund was recognized. In addition, the dedication of certain premium tax collections to the Medical Assistance Trust Fund was $13 million greater than the REC forecast. This was the result of the retention of the forecast as of January 2014. By May of 2014, the anticipated amount for this dedication had been revised up to nearly what was actually allocated, but the overall forecast revisions in May were not adopted.

In terms of total tax collections, on a $10.3 B base, actual collections were only $14 M less (-0.14%). This is a very good forecast, with half the fiscal year plus accrual periods still to go when it was made. This bottom line result is the combination of offsetting over and under forecasts across various revenues, with variances caused by outright forecast error, by forecasts that had been revised but not adopted later in the fiscal year, and by large 14th period accrual adjustments.

<u>FY 14 Collections Relative To FY 13 Collections</u>: While the overall forecast was good, the year-over-year growth performance is worrisome. Total tax collections grew by only 0.7% in FY 14 from FY 13. Ten categories of receipts are shown below over the last two years. Of particular concern has been both the general sales tax and the personal income tax.

Table 2	FY13 Actual	FY14 Actual	% Growth
Sales (w/ MV)	$2,937.5	$2,991.3	1.8%
Personal Income	$2,753.8	$2,750.8	-0.1%
Mineral Revenue	$1,432.2	$1,379.6	-3.7%
Corp/Oth Busi	$470.7	$478.8	1.7%
Gaming	$854.1	$855.9	0.2%
Motor Fuels	$583.0	$588.9	1.0%
Ins Premiums	$478.9	$505.8	5.6%
Personal Excise	$193.7	$200.2	3.4%
Other Vehicle	$149.2	$152.2	2.0%
Misc.	$380.1	$396.6	4.3%
Total (millions $)	$10,233.1	$10,300.1	0.7%

The personal income tax and the sales tax slices of the revenue pie make up 56% of total taxes, and have exhibited anemic growth. The bulk of the sales tax slice is composed of the general sales tax, which grew by only 1.5% in FY 14. This is actually the best performance in three years, yet barely amounts to the inflation rate. Vehicle sales tax grew at 4.4% in FY 14, and is what boosted the combined growth to 1.8% in Table 2. However, the growth in vehicle sales tax was less than half the growth of the prior two years, reflecting a marked slowdown in vehicle purchases starting in the second half of FY 14. For much of FY 14 the personal income tax looked like it might actually grow on the strong FY 13 performance (a one-time 10%+ growth year due to income shifting driven by federal tax changes), but weakened at the end of the fiscal year and experienced an absolute drop, albeit a very small drop. Sustained growth in the overall revenue base requires sustained growth in these two taxes, and sustained growth has yet to be exhibited by either of them.

While mineral revenue has achieved substantial absolute levels in the revenue base, its growth is largely determined by price trends. The state has not participated in the dramatic increases in oil production occurring elsewhere in the United States, and much of the horizontal gas production that has occurred in the state has been exempt from severance taxation. Weak gas prices and, until recently, stable oil prices have combined with, at best, flat taxable and royalty share production to produce two years in a row of modest mineral revenue declines.

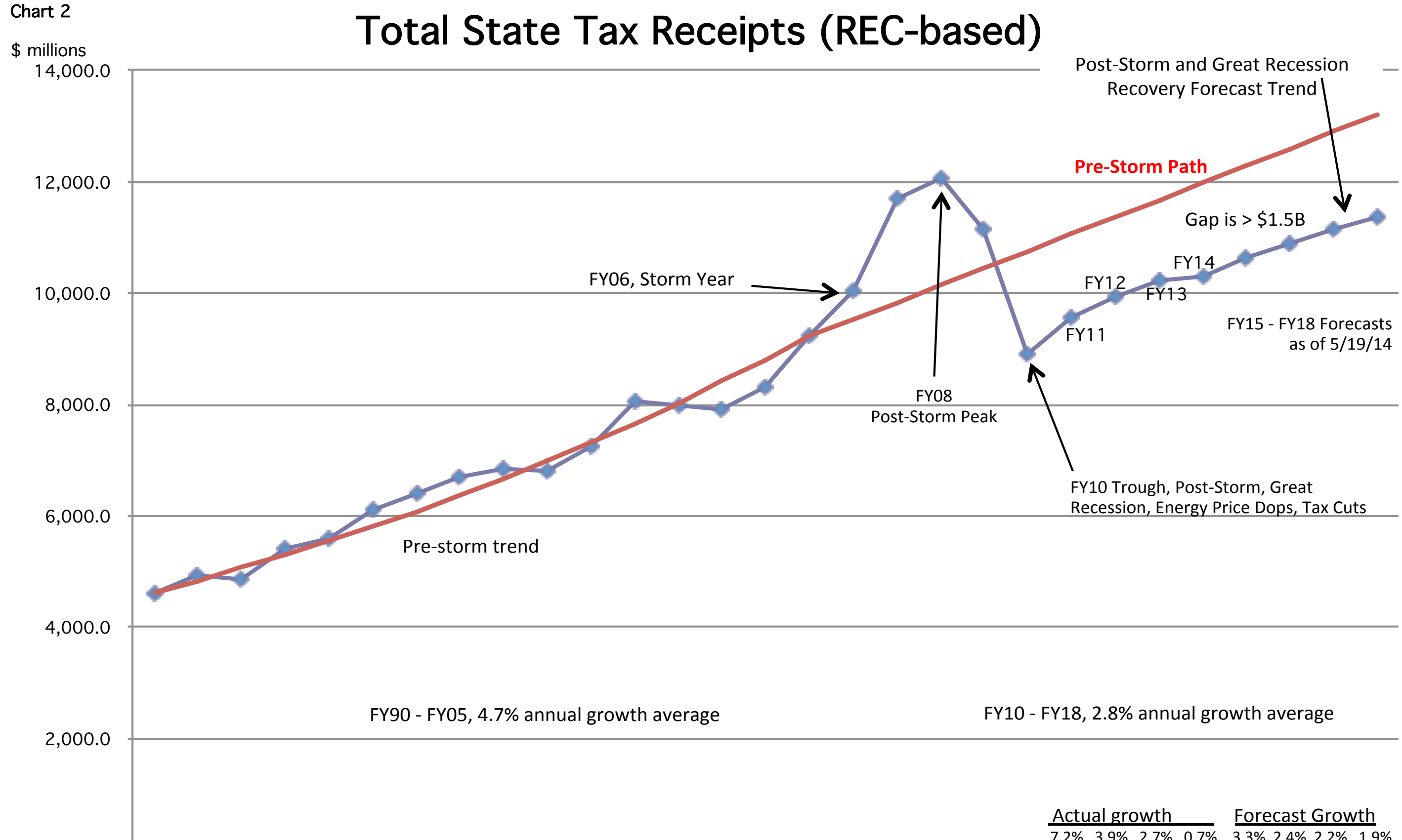
Corporate revenue, after beginning to rebound in FY 11 and FY 12 from the 08/09 recession and the 2009 amnesty program, has backtracked for the last two years. The 2013 amnesty likely played a role in diverting some base corporate collections in FY 14 into dedicated amnesty collections, and amnesty programs are scheduled for 2014 and 2015.

Gaming revenue, reflecting discretionary entertainment spending, has exhibited very low growth for the last four years out of the 08/09 recession. Only riverboat gaming improved enough in FY14 to support the modest growth exhibited by the sector overall. Households have not yet shown enough confidence to accelerate their spending in all venues of this area.

Other than motor fuels, the remaining major categories of tax revenue (insurance premiums, personal excise, other vehicle, and miscellaneous) experienced more robust growth in FY 14. However, each of these categories is relatively small, and when combined amount to only 12% of total revenue. Thus, even relatively strong growth rates in these areas can't push the overall revenue base up very much. It takes sustained household and business income generation and spending to provide meaningful sustained growth in overall state tax receipts.

FY 14 Collections In Long-Run Context: Chart 2 below places the FY 14 actual collections in the context of historical collections and the current forecast outlook. The red line is the growth path of tax revenue over the fifteen-year period from FY 90 through FY 05, the fiscal year ending just prior to Hurricanes Katrina and Rita making landfall in late August and September of 2005. Compound annual average tax revenue growth was 4.7% per year. The post-storm revenue boom of FY 06 – FY 08 is obvious. The sharp drop off in revenue as the national recession set in, energy prices peaked and fell, and large state tax cuts took effect is also obvious. Tax collections hit a trough in FY 10, bounced back nicely in FY 11, slowed to a hoped for normal in FY 12, then decelerated in FY 13 and even more in FY 14. FY 15 – FY 18 are forecasts that improve on FY 14 but gradually slow through FY 18. Over the entire period from FY 10 – FY 18, the compound annual average growth rate projection is only 2.8%, substantially less than in the pre-storm era. These forecasts will be revised, and could improve. However, the slower growth projection over the eight-year period includes four years of actual growth, and the forecasts for FY 15 and beyond do not yet incorporate the poor actual performance of FY 14.

Chart 2



	FY90	FY91	FY92	FY93	FY94	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04
Total TLF	4,615.	4,923.	4,842.	5,413.	5,606.	6,101.	6,390.	6,701	6,839	6,793	7,242	8,064	7,968	7,904	8,315
Pre-Storm Path	4,616	4,833	5,062	5,301	5,551	5,813	6,087	6,375	6,675	6,991	7,321	7,666	8,028	8,407	8,804

	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18
Total TLF	9,219	10,028	11,688	12,055	11,155	8,919.	9,563.	9,939.	10,233	10,300	10,640	10,900	11,138	11,352
Pre-Storm Path	9,219	9,526	9,833	10,140	10,447	10,754	11,061	11,368	11,675	11,982	12,289	12,596	12,903	13,209

The outlook for the immediate year of FY 15 projects $340 M of total tax revenue growth and $487 M of state general fund revenue growth. However, this materially higher revenue growth, 3.3% for total taxes and 5.9% for general fund revenue, is illusory; reflecting the inclusion of $143.7 M of hospital lease payments and LA1 toll revenue in the FY 15 forecast for the first time. The lease payment and toll revenue resources were used to support budgeted spending in FY 14, but not through the traditional revenue forecast. Thus, these are not new revenues to the budget, and including them in the forecast for FY 15 provides an artificial step-up in growth for the single year of FY 15 (the unanticipated dedications in FY 14 discussed above also contribute to this one-time growth step-up). After FY 15, growth settles into the 2% range. Even if these growth forecasts are ultimately bumped up, it should be noted that budget projections already incorporate this current growth path. Aside from one-time aberrations, normal revisions to forecasts are likely to add only a percent or so on the upside, and downside revisions are always possible.

FY 14 SGF Operational Balance

Based on the FY 14 Fiscal Status Summary presented by the Division of Administration to the Joint Legislative Committee on the Budget on 10/17/2014, FY 14 general fund expenditures were $140.6 M greater than general fund receipts, budgeted transfers and carry-forwards. This operational budget deficit was financed by the general fund's cash liquidity, accumulated over a number years from unexpended fee and inter-agency transfer collections that revert to the general fund at the end of each fiscal year. These funds make up the cash position of the general fund, and are comparable to the checking account balance that many households have at the end of each month's bank statement reconciliation. After covering FY14 obligations the remaining cash position at the end of the fiscal year was approximately $178.5 M. These monies are currently in use supporting cash flow requirements of FY 15 expenditures.

The Legislative Auditor is in the process of auditing the Comprehensive Annual Financial Report of the State. The general fund balance that results from that assets versus liabilities balance sheet approach can be fairly close to the balance that results from the operational receipts versus expenditures approach, without including the general fund's cash liquidity; an approach employed for budgeting purposes since 2002. However, the audited financial report will not be completed until December or January of this fiscal year. A final determination of the State's FY 14 fiscal results, on a generally accepted accounting principles basis (GAAP), will not be available until that time.

If it is determined that a deficit was incurred in FY 14, Article VII §10(G) and R.S. 39:76 require that the deficit be eliminated no later than the end of the next fiscal year; by the end of FY 15 in this case. That can be done within certain limitations by executive order budget reductions and transfers of monies from other dedicated funds, or through enactment of budget adjustments in a supplemental appropriations bill in a subsequent special or regular legislative session.

If it is determined that a surplus resulted in FY 14, the Revenue Estimating Conference typically recognizes the amount of the surplus and designates it as nonrecurring. If designated as nonrecurring by the REC, certain amounts of those monies are subject to specific constitutional allocations and the balance is directly available for various kinds of capital outlay or debt retirement, also prescribed by the constitution. Supplanting of nonrecurring funds with recurring funds supporting capital projects can result in a surplus funding the operating budget.

The implications of expending the general fund's cash liquidity are material. During the fiscal year the state general fund engages in substantial borrowing from other dedicated funds. To the extent the general fund's cash liquidity is eliminated by expenditure, this inter-fund borrowing will have to be that much greater. These borrowings are repaid with interest and will reduce total earnings available to the general fund. Probably more significant is the use of this cash liquidity to transition the state's finances from one fiscal year to the next. During the 45-day accrual period from July 1 – August 14 each year, the state is accumulating general fund receipts to repay inter-fund borrowing associated with the prior fiscal year. By law (R.S. 49:308.4), these repayments must be made by August 14 each year. At the same time, funds are being expended in support of the budgeted current fiscal year. This cash liquidity allows the current year's obligations to be funded while the prior year's obligations are being closed out. Without this cash liquidity, the payment of some obligations may have to be delayed during the transition period across fiscal years.

EDUCATION

Funding LSU Health Sciences Center in Shreveport
Charley Rome, Fiscal Analyst, romec@legis.la.gov

Prior to 10/1/2013, LSU Health Sciences Center in Shreveport (LSU HSC-S) functioned as an academic medical center, comprised of two linked public university teaching hospitals [LSU Shreveport Hospital and E.A. Conway Medical Center in Monroe] and School of Medicine, School of Allied Health Professions, and School of Graduate Studies. Similar to other medical schools nation-wide, the Shreveport medical school is not capable of generating sufficient revenue through student tuition and fees to cover expenses due to the small class sizes necessary for clinical training. As such, the former LSU HSC-S teaching hospital historically transferred patient-generated revenue of approximately $26 M to $30 M per year to the medical school to meet expenses, with this budget authority captured under the medical school.

On 10/1/2013, the Biomedical Research Foundation of Northwest Louisiana Hospital Holdings, LLC (BRFHH) began private management of the hospitals in Shreveport and Monroe. The hospitals were renamed University Health Shreveport and University Health Conway. Under the new model of a private hospital separate from the medical school, the Shreveport hospital would no longer transfer revenues to the medical school for service and operational costs. In FY 14 and after, the medical school established contracts with the partner hospitals for services rendered. This contracted revenue source will be used to support operational costs of the schools. The new funding approach is similar to the funding model historically used by LSU HSC-NO and other public academic medical centers in the country. Public academic medical centers generally depend on the following revenue sources: state appropriations, student tuition/fees, research grants, contracted clinical/support services, and endowments.

Two primary examples of contractual services that LSU HSC-S is providing for University Health Shreveport and University Health Conway include:

1. Physician Services Agreement (PSA) – Payment for the following services provided in University Health Shreveport and University Health Conway hospitals: medical care to indigent patients, teaching/supervision activities, on-call activities, and administrative services. LSU HSC-S anticipates that payments for medical care to indigent patients and for teaching/supervision activities will generate the largest revenue source.
2. Shared Services Agreement (SSA) – Payments to include services with and for information technology, telecommunications, legal affairs, compliance with accreditation and legal/regulatory issues, physical plant/maintenance, University Police Department (UPD), space, and utilities.

Table 3 below compares funding for LSU HSC-S from FY 14 to 15.

TABLE 3

Funding Source	*Fiscal Year 2013-14*	*Fiscal Year 2014-15*	*Change*
SGF	$35,704,325	$37,346,058	$1,641,733
IAT	$0	$8,000,000	$8,000,000
SGR	$56,434,165	$81,433,774	$24,999,609
ST DED	$9,078,294	$9,049,579	($28,715)
TOTAL	**$101,216,784**	**$135,829,411**	**$34,612,627**

Significant Budget Changes from Fiscal Year 2013-14 to 2014-15	
IAT	
Pass-through payments to Private Providers	$8,000,000
SGR Budget Authority Change	
Certified Registered Nurse Anesthetists (CRNAs) - Shreveport	$6,000,000
Certified Registered Nurse Anesthetists (CRNAs) - E.A. Conway	$1,000,000
Teaching and Supervision - Shreveport and E.A. Conway	$18,000,000
Total Change - Expenditures Paid Directly by Hospitals prior to 10/1/13	***$25,000,000***

LSU HSC-S reports that pertinent legal agreements defining contracted revenue sources have been completed. The service agreement contracts between LSU HSC-S and BRFHH do not stipulate specific dollar amounts to be paid from BRFHH to LSU HSC-S. The amounts to be paid will be based on monthly invoices sent from LSU HSC-S to BRFHH. The Legislative Fiscal Office requested a forecast of contracted revenue sources anticipated in FY 15 by service agreement from LSU HSC-S to ascertain the anticipated revenues by contracted source. However, LSU HSC-S had not completed a forecast at the time this document was published.

LSU HSC-S owes approximately $7.6 M to BRFHH for cash collections (i.e. Medicare) received by LSU HSC-S for BRFHH since 07-01-14. On September 24, 2014, LSU HSC-S sent an invoice to BRFHH for $13.9 M for FY 15 services provided to BRFHH in July and August 2014. LSU HSC-S is revising the invoices from July and August 2014 to reflect the recently signed Assignment and Assumption Agreement (capital and operating leases), information technology services agreement, and Shared Services Agreement. LSU HSC-S is unable to estimate when the revised invoices for July and August 2014 will be submitted. However, the payments for July and August from BRFHH to LSU HSC-S will be due 20 days after the final invoices are completed and sent to BRFHH. **LSU HSC-S has not received any payments from BRFHH to date for contracted services provided in FY 15 that began on 7/1/2014.**

It is unclear based on information received by the Legislative Fiscal Office at the time of this publication if LSU HSC-S and BRFHH have established a viable financial working relationship whereby BRFHH will pay the full monthly amounts invoiced by LSU HSC-S for contracted services in a timely manner on a long-term basis. The Legislative Fiscal Office will continue to monitor the financial situation at LSU HSC-S and will provide subsequent reports in future *Focus on the Fisc* publications.

GENERAL GOVERNMENT

FY 15 OGB Financial Experience to Date
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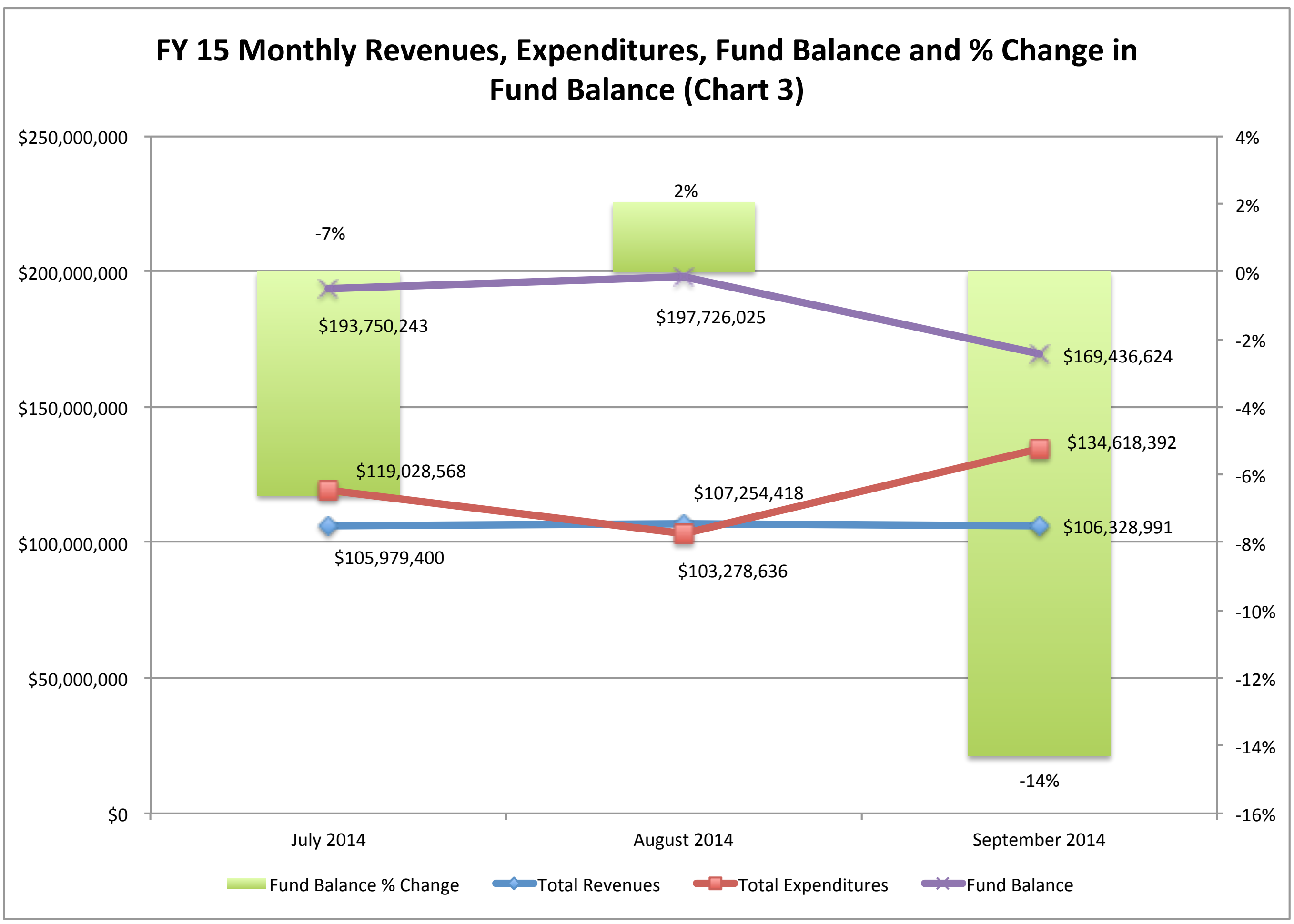
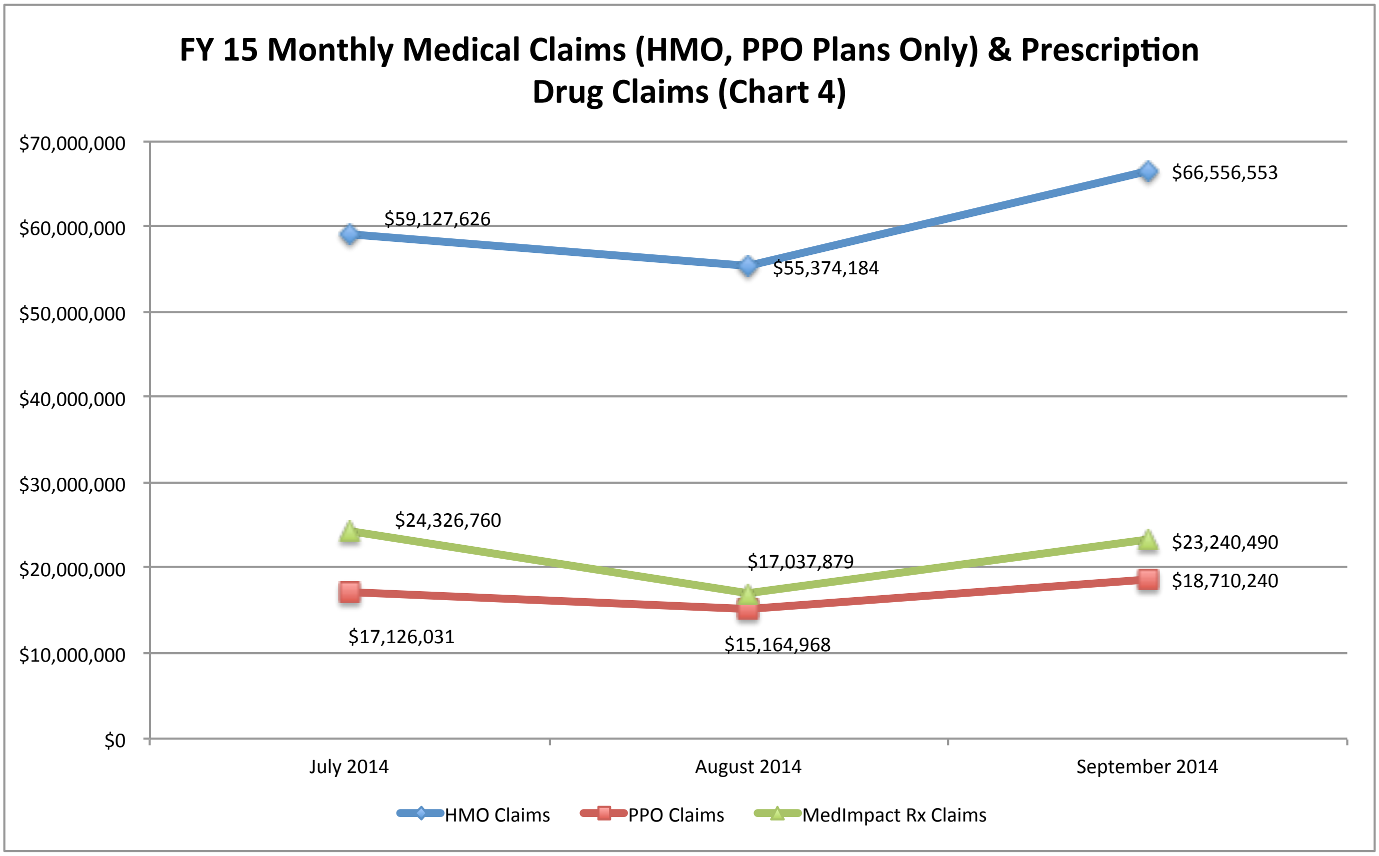
Through the first 3 months of FY 15, OGB's current monthly negative burn rate is approximately $12.7 M per month which is likely due to increased medical claims expenditures in the month of September. Chart 3 below depicts FY 15 monthly OGB revenues, expenditures, fund balance and percentage change in fund balance through September 2014. Based upon the graph below, September expenditure activity (likely driven by medical claims) utilized approximately $28 M of OGB's current fund balance to pay expenditures. Chart 4 on the next page is a depiction of monthly medical claims expenditures (PPO, HMO and MedRx claims only) for FY 15.





PROPOSED CONSTITUTIONAL AMENDMENTS

FY 15 Proposed Healthcare Funding Constitutional Amendments (No. 1 & 2)
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The following proposed constitutional amendments will be submitted at the statewide election on November 4, 2014.

Act 438 (HB 532) of 2013
The proposed constitutional amendment No. 2 implements an annual hospital provider assessment through a formula annually determined by the legislature, requires revenues generated from the assessment to be deposited in a newly created Hospital Stabilization Fund (constitutional fund) in the Treasury, creates a hospital Medicaid reimbursement formula that establishes a funding floor and may establish reimbursement rate enhancements based on a rate of inflation to certain hospitals based on an adopted formula for Medicaid claims and uncompensated care costs.

Recurring funding formulas may be adopted by a favorable vote of a majority of the elected members of each house. The initial formula requires approval of two-thirds of the elected members of each house through concurrent resolution, and defines and establishes a base reimbursement floor under Medicaid to hospitals for inpatient and outpatient services based on FY 13 funding rates.

Any additional Medicaid payments to hospitals annually over an established base (current rate structure) is indeterminable, and will depend on the actual revenues generated through the annual assessment and the most recent Hospital Stabilization Formula (enhanced payments) adopted by the legislature. It is unclear if all state hospitals are eligible, however the Act provides that the Hospital Stabilization Formula shall also provide for the preservation and protection of rural hospitals.

Additionally, the proposed amendment provides limitations relative to future Medicaid program cuts specifically by eliminating the ability to make targeted cuts to hospital providers to satisfy a budget deficit. The governor may reduce the appropriation to the base reimbursement level (rates) for hospitals if such reduction does not exceed an average rate reduction to other Medicaid providers, and the reduction is consented to in writing by two-thirds of the elected members of each house (or approval by two-thirds of the members of JLCB if not in session).

Act 439 (HB 533) of 2013
The proposed constitutional amendment No. 1 establishes a base reimbursement floor under Medicaid (reimbursement rates) for nursing home providers, pharmacy providers, and ICF/DD providers. The funding level floor is based on FY 14 Medicaid rates. Funding may be increased annually by establishing a rate of inflation or rebasing (which shall not be a negative) for these specific providers. The established base rate and any annual rate enhancement applies only to the specific provider groups that are assessed and which pay fees into the Medical Assistance Trust Fund (MATF). An inflation factor is not specified in the constitutional amendment, therefore any projected growth in payments for each provider is indeterminable.

Additionally, the proposed amendment provides limitations relative to future Medicaid program cuts, specifically by eliminating the ability to make targeted cuts to the specific providers that are currently assessed a provider fee. The governor may only cut the established base rates to the three provider groups if a reduction is consented to in writing by two-thirds of the elected members of each house (while the legislature is in session), and the reduction does not exceed the average reduction applied to other Medicaid providers. If the legislature is not in session, any reduction must be approved by two-thirds of the members of the Joint Legislative Committee on the Budget (JLCB).

Finally, the proposed constitutional amendment requires the Treasury to create separate accounts within the Medical Assistance Trust Fund (MATF) and allocates the provider taxes collected by the specific provider groups into individual provider accounts within the MATF. Creating accounts to capture existing nursing home provider fees, pharmacy provider fees, and ICF/DD provider fees, including interest earned on any of these fees, does not increase aggregate fees generated to the MATF on an annual basis. This measure simply separates current revenues collected from each provider group into an individual account, and requires payments to the specific providers from the individual account. Any other funds deposited into the MATF (not related to these provider fees) would be deposited into a general account in the MATF.

Proposed Constitutional Amendment No. 11
Creating a 21st Executive Department
Patrice Thomas, Fiscal Analyst, thomasp@legis.la.gov

Act 874 of 2014
The proposed constitutional amendment No. 11 increases the number of authorized executive branch departments from the current 20 departments to 21. The intent of the amendment is to change the status of the Governor's Office of Elderly Affairs (GOEA) from an agency within the Executive Department to a stand-alone department beginning 7/1/2015.

Approval of the amendment is anticipated to have an immediate fiscal impact on FY 16. All departments are required to have a department head (secretary). Also, LA R.S. 36:152 authorizes departments to have an undersecretary position as well as a deputy secretary position. Therefore, the creation of the Department of Elderly Affairs may increase salary expenses for the new executive positions in FY 16.

Besides the salary increase for the executive positions, it is assumed that the current level of expenditures will remain the same in FY 16 if GOEA becomes a department. Act 874 states that the 21st department may not administer any programs or services that are historically administered by any other agency, office, or department. Therefore, the creation of a Department of Elderly Affairs will not impact services of existing programs provided by other departments. However, in subsequent fiscal years, the creation of a Department of Elderly Affairs may increase operating expenses and equipment purchases by an indeterminable amount as a result of normal operational growth.

Proposed Amendment No. 4, Act 873 of 2014
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Proposed Constitutional Amendment No. 4 proposes to authorize the investment of public funds to capitalize a state infrastructure bank and allow the loan, pledge, guarantee or donation of public funds to local governmental entities for eligible transportation projects. The intent of this constitutional amendment is to set up the mechanism for the creation of a revolving loan program to local governmental entities for road and infrastructure projects. The proposed constitutional amendment authorizes the State Treasury to invest future public dollars allocated to the infrastructure bank and to provide loans to local governmental entities from any principal or interest subsequently created.

There is no immediate fiscal impact to the state in the event this proposed constitutional amendment should pass. The proposal creates a financing mechanism but does not fund an infrastructure bank. Should the constitutional amendment pass and should future legislative action fund an infrastructure bank, that entity would require an appropriation to cover operating expenses of an indeterminable amount, presumably paid for by revenues generated through the loan program if sufficient.

Proposed Amendment No. 8, Act 434 of 2013
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Proposed Constitutional Amendment No. 8 establishes constitutional protection for the Artificial Reef Development Fund (ARDF). Since the fund is statutorily dedicated and not constitutionally protected, funds can be "swept" to cover budget shortfalls in other state agencies. This has happened in the past as approximately $46 M has been swept to cover state budget shortfalls over the past few fiscal years, leaving a $12.5 M balance in the fund. The ARDF relies on donations and grants from oil & gas companies. The current arrangement between the state and oil & gas companies provides that once an oil platform is no longer productive, it can be donated to the state and converted to an artificial reef instead of being disassembled and removed. The company would then donate half of the realized savings from not disassembling the platform to the state in order to maintain the fund. In addition to the artificial reef creation, up to 10% of donations can be used to support the wild-caught fish certification program and another 10% can be applied toward enhancement projects for inshore fishery habitats.

The proposal creates constitutional protection ensuring funding can only be used for ARDF purposes, making the fund inaccessible to use for addressing budget shortfalls for other agencies and programs.

Proposed Constitutional Amendment No. 14, Act 435 of 2013 Session
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The current state constitution prohibits the introduction or enactment of measures legislating with regard to tax exemptions, exclusions, deductions, or credits during regular sessions held in even-numbered years. This language has been applied literally such that in regular sessions held in even-numbered years measures legislating with regard to tax rebates have been introduced. Act 435 (HB 131) of 2013 adds rebates, incentives, and abatements to the list of measures prohibited during regular sessions held in even-numbered years. This amendment may attempt to prohibit consideration of measures that are essentially the functional equivalent of tax exemptions, exclusions, deductions, or credits in even-numbered years and focus their consideration into alternating odd-numbered years. However, given the literal application of the current language, this amendment may accomplish that goal only until other synonyms for these words can be devised. This may be particularly true for the new words "rebates" and "abatements", which are fairly specific in their meaning. This may be more difficult for the word "incentives", which is more general. Again, though, the literal application of the current language suggests that by simply not including the word "incentive" in a legislative measure, while utilizing some synonym other than the other words in current law and those being added to it by this amendment, a functionally equivalent measure may still be allowed in a regular session held in an even-numbered year.